



“GHC Results 1Q2024 Conference Call”

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MODERATORS: Mrs. Maria Laura Garofalo, CEO
Mr. Alessandro Maria Rinaldi, Chairman of the BoD
Mr. Luigi Celentano, Chief Financial Officer
Mr. Riccardo Rossetti, Head of Administration and Reporting
Mrs. Claudia Garofalo, Head of Finance
Mr. Mimmo Nesi, Investor Relator & Chief Sustainability Officer



OPERATOR: Good morning, this is the Chorus Call operator. Welcome to GHC Group's first quarter 2024 results presentation. After the initial presentation, there will be an opportunity to ask questions. Now I would like to give the floor to Mimmo Nesi, Investor Relator and Chief Sustainability Officer of the GHC Group. Please.

MIMMO NESI: Good afternoon everyone and thanks as always for your time and availability. Welcome to the GHC Group conference call on the extremely satisfactory first quarter 2024 results. I remind you that the call will be held in Italian and that the transcripts will be published shortly on the site, both in Italian and in English.

Now I will briefly introduce who is here from Rome: the Group CEO, Mrs. Maria Laura Garofalo; the Chairman of the Board of Directors, Mr. Alessandro Maria Rinaldi; the CFO, Mr. Luigi Celentano; the Head of Administration and Reporting, Mr. Riccardo Rossetti; and the Head of Finance, as well as member of the Board of Directors, Mrs. Claudia Garofalo.

At this point I give the floor to the CEO for a first general overview comment. You're welcome.

MARIA LAURA GAROFALO: Good evening everyone. As you have noticed, to our great satisfaction we have produced truly extraordinary numbers in the quarter, important performances, both from the point of view of the increase in Revenues and from the point of view of the increase in EBITDA and therefore in margins.

What is due to this important acceleration? It is mainly due to the fact that private activity is growing more and more significantly and obviously the activity provided to extra-regional patients has grown equally significantly.

Within the regional activity we have also recorded increases linked to the attribution of extra budgets for the reduction of waiting lists, however we are awaiting the further definition of the extra budgets by the individual Regions, because, as we can read in all newspapers, waiting lists have now become an almost endemic, fundamental, important problem. We note this growth in private activity which, from our point of view, will lead us over time, even if not in the long term, in my opinion in the short-medium term, almost to a modification of the National Healthcare Service, which will increasingly move towards private accredited.

Also speaking with the CEOs of the insurance companies with which we have an agreement, they told me that there has been an increase of over 70% in insurance policies and now many companies, to reward their employees, are moving towards corporate welfare.



In the quarter, this private activity recorded, at Like-for-Like perimeter, therefore with the same perimeter, an increase of 7%, and another increase of 10% in extra-regional patients.

The month of April is also giving us great satisfaction, as it continues, as far as Revenues are concerned, to maintain this important growth trend recorded in the quarter, even with a further increase in private activity which gains another 3 percentage points on a progressive basis.

A focus on the Roman Group, which has also given us great satisfaction. Obviously the integration process and, above all, the efficiency process was and still is very challenging. We are talking not only about marginality, but about the reorganization of the various areas, with a redefinition of processes, and we all know that better organization also translates into an improvement in marginality.

The Roman Group recorded an EBITDA of 2.5 million and I also expect further improvements in the second quarter because we launched, during the quarter, between February and March, a series of initiatives regarding revenue sources. I won't bore you about the too technical part, we all know that we have a budget but in a complex facility, with the Emergency Room and with various critical areas, such as the Aurelia Hospital, there is the possibility of having other sources of revenue, such as increasing Emergency Room accesses, because for each Emergency Room access, even if not followed by hospitalization, there is still an extra budget fee.

Inside the Emergency Room there are short and intensive observation beds which must accommodate specific patients, who must stay in these beds for no less than 6 hours and no more than 36 hours and then must return home, and this too is a another source of turnover.

The same goes for other areas, for example rehabilitation. Inside the Aurelia there is also a rehabilitation department, which has a budget of 4.4 million, which it had not managed to reach in past years, but here we are at full employment now.

We are also monitoring funding for functions, which are mainly linked to the occupation of critical areas, therefore resuscitation, the coronary unit, etc.

There is a particular algorithm to understand which occupation guarantees us the highest financing. We have identified it in 85%, so we are monitoring the critical areas that maintain optimal occupancy.

We have also made various efficiency improvements on the cost side. We had a small delay: in the first quarter, despite having very satisfactory results, as you can see, compared to what was expected we had a small delay in the sense that they had been "parked" inside the Aurelia Hospital from the Local Healthcare Authority, during Covid, 20 beds of RSA R1, for non-self-sufficient patients, who basically did not have margins and who we had planned to transfer and



therefore close the department, which will then become the cardiac surgery department, at the beginning of the year.

This was not possible, because we were unable to discharge all the patients. We therefore closed this department a week ago. Having decreasing occupancy, at that point it was a loss-making department, it was not only a department that did not make a profit but, having to discharge patients, we no longer admitted them and, with decreasing occupancy, the department produced a loss.

The department is currently closed and the cost of dedicated staff has been neutralized.

Another thing: in December 2023 we obtained an incremental budget for 16 additional General Medicine beds, therefore 1.6 million, but we had to place part of these beds in an area separated from the General Medicine department, which it involved the hiring, obviously on a fixed-term basis, of a full staff.

Instead, we created the rooms necessary to accommodate these patients within the medical department. There too we expected the works to finish earlier, they finished two weeks ago, therefore these patients went to General Medicine and even in that case the staff costs were neutralized.

This is why I say that I expect a second quarter that will be able to fully express these interventions.

At the same time, the increase in private activity is very important. As I had also said in previous calls, this had never really taken off for the Aurelia Hospital. In the first quarter we recorded an increase in private activity, compared to the previous year's quarter, of 60% on the Aurelia Hospital and 15% on the European Hospital, which already had a rather strong private activity.

This is a bit of a general overview, at this point I would give the floor to the analysts for any questions they may have.

However, since I talked about the Aurelia Group, I would like to give a small mention to the other facility that we acquired during 2023, Sanatorio Triestino. Joining the Group also produced a significant increase in efficiency, in fact we closed 2023 with a margin for Sanatorio Triestino of around 14.5%; in this quarter, however, a margin of 20% was recorded. Therefore, great satisfaction also on the Sanatorio Triestino.

At this point I would leave the floor to the analysts for the questions.

OPERATOR: We will now begin the Q&A session. The first question is from Emanuele Gallazzi, from Equita.

EMANUELE GALLAZZI: Good afternoon everyone, thank you very much for the presentation and congratulations on the results. From my side I would start with three questions. The first is on the very solid trend that we are continuing to see between private activity, +7%, and Outside-Region, +10%. If you can give us a little more visibility on this trend, I was wondering if the growth is driven by some specific facilities,



therefore with activities that you have started, or if instead it is a more generalized dynamic across the various facilities of the Group.

The second question instead is about the quantitative guidance you gave with the full year 2023 results. A month and a half ago we were talking about a turnover of around 460 million in 2024 and an EBITDA of around 80 million: I was wondering if, in light of this first quarter that went so well, you were thinking of something better than these targets.

The third, very quick, is whether there are any updates on the topic of the development of activity with social security institutions and healthcare funds. Thank you.

LUIGI CELENTANO: Regarding the first question of the trend, I start again from what the CEO also said before, i.e. the April data. Compared to last year, in the first four months of the year we are recording a growth of 10% on the private sector, always looking at Like-for-Like, therefore without taking into account the change in perimeter linked to M&A, and of around 10% on the Outside-Region. You know that these are very important elements for us, because they are concrete evidence of the attractiveness of our facilities. These are the patients who actually choose which facility or organization to turn to. This trend adds to a growth that we had already recorded last year of around 12% on the private sector and 4% on the Outside-Region sector. A growth that therefore adds to further growth already achieved. Furthermore, like last year, this year too it is something that does not exclusively concern specific facilities, but is a generalized trend, which we find across all of our Group facilities. We cannot even identify them from a geographical point of view and this testifies to the fact that the need in terms of healthcare is a generalized need, it is not concentrated in specific areas or concerns particular areas of our territory and, in our case, specific structures of the our Group.

As far as the issue of guidance is concerned, this is certainly an exceptional quarter in terms of growth. In the press release you read that we recorded a growth of approximately 5% on the perimeter that we define as Like-for-Like as regards Revenues, of over 13% as regards EBITDA, with a margin of 22.3%, always at constant perimeter. We also expect to have greater visibility and we expect to have greater resources on the waiting list front, in order to somehow consolidate these trends and this very positive trend that we recorded in the first quarter but which, as we were saying, we expect to be also confirmed further in April. We confirm that view of 460 million to which you referred for Revenues and 80 million for EBITDA, which already contemplated significant growth. It is clear that, as always, we expect to do significantly better than this forecast.

As regards the last question, I leave the floor to the CEO.



MARIA LAURA GAROFALO: As regards any development activity with the funds that have entered, I confirm that we first started with Enasarco, which is obviously the first fund to have entered, and in the meantime also with Enpam.

With Enasarco we are a little further ahead, precisely for a question of timing, so we have created a working group, made up of our collaborators and their collaborators who deal with the matter, and we are developing two areas of intervention for their associates. One concerns the conventions that can be standard, the other, which is very interesting, concerns the prevention activity. They wanted a differentiation of packages: the "pink package" for women and the "blue package" for men.

We are at a good point and now we are starting the same path with Enpam.

OPERATOR: The next question is from Isacco Brambilla, from Mediobanca. Please.

ISACCO BRAMBILLA: Good afternoon everyone, three questions from me too.

The first is on the perimeter of the Aurelia Group. In March there was talk of a margin that in this first year of consolidation could be around 10-11% of EBITDA Margin, if I'm not mistaken. Looking at the numbers for the quarter we are already at those levels and a number of drivers have been mentioned which should lead to an improvement in margins starting from the second quarter. I just wanted to understand if this 10-11% should be kept as a reference margin for the Aurelia Group for this year, for 2024, or if we can imagine something better.

The second question is about absorption from Net Working Capital. I remember that last year too there was a more or less transitory absorption at a seasonal level, last year it was indicated at around ten million: I wanted to understand if this is the level that we can also take as a reference for data for this quarter.

The last question is a general comment on the "Tariff Decree", whether there has been any update on this or whether the comments that were made in March remain.

MARIA LAURA GAROFALO: Maybe I'll answer on the first and third and then I'll leave the floor to the CFO regarding the second.

As regards the margins of the Aurelia Group, we are actually already around 10.5%. I certainly expect to confirm this marginality. There are obviously drivers that could also lead to an increase in margins, also because we are working, I personally have already spoken to the Region, to obtain other General Medicine beds, from 6 to 10 beds, with a further incremental budget of 100,000 euros per bed. I will aim to have 10 beds, therefore resources between 10 beds-1 million, 6 beds-600,000 euros. The discussion will be brought to between 6 and 10 beds. The dialogue has already started with the Region, which has proven to be available, because in this Region there is a shortage of General Medicine beds,



and in particular I showed to the top, to the Director of health planning of the Lazio Region, that since we have the Emergency Room, but have few beds available, patients who enter the Emergency Room and have to go to General Medicine spend an average of three days in the Emergency Room, with peaks of five days.

We have therefore already started, in agreement with the Region, a process of transformation of other beds, which are not fully occupied, from General Surgery to General Medicine. We have therefore already asked the Region for both the authorization and accreditation of these beds, and then proceeded to agree on the allocation of the budget. This is a driver which, if we manage to obtain, will bring us a further increase in margins. The Region attributes the overall budget to three fundamental areas: one is the critical area, basically resuscitation, brief observation and the entire critical area; one is the medical area, General Medicine; and the third is the surgical area. Since we are maintaining 85% occupancy in the critical area, we will not consume all of the budget allocated to the critical area. We are therefore asking for a budget shift of 700,000 euros from the critical area to the surgical area. This will also bring us an increase in activity.

Various interventions were also made on costs, for example on overtime and shift work. I feel like saying that prudentially this margin will be confirmed, but we could also have some positive surprises.

As far as the "Tariff Decree" is concerned, there are huge changes, in the sense that it is a decree that cannot pass, not now, not ever, in fact it has not passed. It was supposed to be applied, as you will remember, on January 1, 2024 but there was an uprising by all Italian private accredited operators, because some tariffs even dropped by up to 40-50%.

They understood that they were fundamentally unstudied tariffs, not defined on the basis of a precise cost analysis. The decree for the definition of tariffs instead requires a precise analysis, which obviously relates to the costs of the various services.

In the meantime, as a category we have challenged this decree, obtaining from the judge the possibility, rather than having a suspension, of going to May 15th with a hearing that would already decide on the merits.

In the meantime, however, since the Government and the individual Regions, but in particular the Government and the Minister, had understood that this was a situation to be managed with great care, also because we as private accredited operators would not have opened the agendas to the CUP, given that the private sector is growing and would have grown even more in any case - in a time of waiting lists it would certainly not have been a happy intervention - as a category I myself participated in this event which was held in Rome, at the Teatro Brancaccio, where they came all representations. We were 400-500 people, the representatives, the most representative groups in all of Italy. At



that point that day, President Rocca, sent by the Minister, came to tell us that the tariffs, whose application had been postponed to April 1st, would not be applied on April 1st either. After that, the official communication arrived that they would not be applied for the whole of 2024.

Obviously the decree exists, so in a certain sense it must be modified, because in this way it will never be applied. The judge postponed the hearing that was supposed to be held on May 15th, given that it was no longer so urgent to decide, until October. In fact, a working table is being made. There are therefore working tables for the definition of new tariffs, which obviously must cover all costs, otherwise these current tariffs will have to remain. Also because the decree with which they were defined is very weak, because by law it must contain two opinions, one of which from the Ministry, which analytically represents the methodology applied for the definition of the new tariffs. That technical document is absolutely lacking, because there was no methodology but the Ministry took three Regions, one in the north, one in the center and one in the south, and made averages from which these completely inconsistent tariffs then emerged.

The second opinion, which is mandatory and which was not shown, but during the trial we asked for it and therefore it was filed, is that of Agenas, the public health agency, which was a negative opinion. Agenas gave a negative opinion on those tariffs, on that measure. Surely that provision is dead, we say good bye to it.

LUIGI CELENTANO: There was still a question about the Net Working Capital. The slowdown observed in the first quarter is an expected and planned slowdown. It is physiological for this part of the year. At the beginning of the year, activity restarts significantly after the months of November and December, which are normally a little lighter in terms of activity volumes. The amount of credits is replenished, while the amounts collected concern the last months of the year which, as I was telling you, are characterized by a lower production volume.

This is to tell you that working capital is mainly driven by the performance of receivables. It was absolutely planned.

As you know, we address this issue every year: we develop many activities outside the region and part of these activities outside the region are temporarily suspended from payment while waiting for the regional budget to be approved and for the final approval to be given for payment. In each region we must wait for the interregional mobility balances to be defined, so there are technical times that differ this collection.

In essence it was expected and we expect to reabsorb it almost entirely in the next two quarters of the year, as has happened in the past.

MARIA LAURA GAROFALO: I also wanted to add that a situation that occurred on the Aurelia Group



had an impact because, as you know, we took over the business unit, in the sense that the Aurelia 80 company, which was the holding company, was the owner of the Aurelia Hospital and then it had shares in the companies that owned the other healthcare facilities, European Hospital, Samadi and Hospice Sant'Antonio.

This transfer took place through a transfer of a business unit. The liquidator established Aurelia Hospital S.r.l. and the entire business unit was transferred to the new company.

At the time of the closing, which I think took place on 8 or 9 November, due to the carelessness of the bureaucracy the Region and the Local Health Authority did not open the so-called curtains, that is, the billing, both for the outpatient and hospitalization parts, takes place through the entering invoices into a platform. However, due to technical and administrative misunderstandings, the Region did not immediately give access to the platform for the Aurelia Hospital. Therefore we were not able to invoice from November until March.

This created a major moment of financial crisis within the Aurelia Group linked to this technical mix-up, which we then obviously resolved.

OPERATOR: The next question is a follow-up from Emanuele Gallazzi, from Equita. Please.

EMANUELE GALLAZZI: Two quick questions.

A flash, if you can make it, on the topic of M&A, after the acquisition of Aurelia Hospital.

The second instead on Aurelia Hospital, if there are updates on the topic of Capex investments and on the Heart Center project.

MARIA LAURA GAROFALO: As regards M&A, by now you have understood that M&A represents almost a form of ordinary growth for us and we are used to bring it in parallel, because the numbers demonstrate it, both the integration of the new structures acquired and the new acquisitions. Definitely yes, then.

As usual we have some Targets that we are monitoring, that we are interested in. We will let you know at the right time, if they lead to something concrete. However, we always have the same pipeline, which is quite substantial, and in particular we are focused on two or three interesting targets.

As regards the Aurelia, as you will remember, the works on the Aurelia concerned partly internal work and partly the construction of the new volume to accommodate two new operating blocks, one intended for cardiac surgery and the other for all the other surgical specialties; each block including its own critical area, i.e. its own resuscitation: the cardiac surgery operating block with adjoining cardiac surgical resuscitation, the block of the other surgical specialties with adjoining multi-specialist resuscitation. As far as this intervention is concerned, we are talking about an expansion.



Regarding the expansion, as you know, we need to obtain the building permit. We have already presented the entire procedure to the Municipality, I myself have personally spoken with the Mayor of Rome to speed it up. Obviously they are interested, the Region is also interested, in seeing these works completed soon.

We commissioned an engineering company from Milan that works only in the healthcare sector and has built large hospitals. We have presented the architectural project to the Municipality, now we have to create the executive, structural and systems project. The contract that we have stipulated with this company provides that it will draw up these projects for us, that it will follow us through the whole process of obtaining the concession from the Municipality and then obviously it will also follow us with the direction of the works after having chosen, again together with this company, the companies to which to contract the works, which are the best, are quite well known, but obviously we will put a satisfactory number of operators out to tender. This process has already started.

As regards the internal works, we will start next week with the start of the works for the construction of the cardiac surgery inpatient department, which will be built where previously we had allocated the beds of R1, of the RSA, which were closed, as I was saying earlier. That will become the cardiac surgery department.

The entire expansion part will be followed by this Milan engineering company, with which we have signed an important contract. For the internal part, however, we commissioned an architect who also deals only with healthcare, a very good woman, who also prepared the overall architectural project and prepared the executives of the cardiac surgery department. We have already found the company that will be responsible for building the department and the work should start next Monday.

After that, it will take at least four months to finish the construction of this department. However, this is the most demanding internal work, after which this department will act as a bit of a wild card. We will transfer the *UTIC* and cardiology to the cardiac surgery department, which does not yet exist, because it is in the European Hospital and will be transferred upon completion of all the works. We will move the cardiology department and the *UTIC* there, then we will work on the cardiology department and the *UTIC*, where we need to increase 6 *UTIC* beds, and so on, in rotation.

More or less this is the current state.

Obviously, as regards the expansion project, I would stick to the amounts we agreed upon, because I cannot give you a precise amount until we have the structural and plant executive project, above all.

This is the current state.



OPERATOR: Mr. Nesi, at the moment there are no other questions reserved.

MIMMO NESI: If there are no further questions, then we thank you again for your time and opportunity. As an IR function we are obviously at your complete disposal for any further requests for clarification and information. See you soon.